

Worksheet 1

1.1 The basic economic problem

1. Match the key terms and economic concepts with their explanations.

Key terms	Explanation
Production	
Consumption	
Land	
Labour	
Capital	
Enterprise	
Firms	
Opportunity cost	
Products	
Consumers	

A Natural resources

B Goods and services: the outputs of production processes

C The benefit gone without by giving up the next best alternative use of some scarce resources

D Business know-how and the ability to organize productive activities

E Using resources to make and deliver goods and services to satisfy the needs and wants of consumers

F The using up of goods and services to satisfy human needs and wants

G Individuals and organizations who are willing and able to buy goods and services to satisfy their needs and wants

H Human effort used up in production

I Organizations in which entrepreneurs combine resources to produce goods and services

J Man-made resources, such as machinery, that are used to make other goods and services

2. Using examples, explain the difference between a human need and a human want.

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3. What are factors of production? Describe briefly how they might be used in the production of bread.

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4. What is the basic economic problem?

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5. Explain why the basic economic problem will even affect Bill Gates (Founder and Chairman of Microsoft and one of the world's wealthiest people).

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6. A firm currently produces 500 units of a good X and 300 of a good Y using its resources. In the following week it decides to produce 600 units of X and 250 of Y. What is the opportunity cost of the decision to produce 100 more units of X?

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7. (i) What is a production possibility curve? (ii) In the diagram below, country A is currently producing at point A. What would be the opportunity cost of a decision to reallocate its resources to produce at point B so it could produce more cheese?

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